

## THE IMPORTANCE OF STARTUP PROJECTS, THEIR CONTRIBUTION TO ECONOMIC DEVELOPMENT

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**Abstract.** *This article analyzes the sources of funding for startup projects, the share of startups in the economy and the attraction of new sources, the funding mechanism and indicators of economic efficiency of startup projects.*

**Keywords:** *startup, venture financing, business angel, sources of financing, startup project, economics, efficiency, foreign experience, investments.*

**Introduction.** In recent years, much research has been done on the concept of innovation and its importance. Economic efficiency is achieved through innovative changes several times faster than through traditional methods. One area of innovation that has advanced in the last three years is startups, where many changes have taken place in a short period of time. Startups are major contributors to economic growth. Economic growth involves not only the production of products but also general economic performance. The following view of economic growth can be cited: "Economic growth means the production of tangible and intangible products, that is, the production of all products that satisfy the needs of the population. This view corresponds to the process of modern economic growth, and production includes not only finished products, but also the production of semi-finished products and raw materials for them. Achieving alternative indicators of economic growth is considered one of the socio-political activities of the state".[1] It would therefore be appropriate to study startups in terms of their relationship to economic growth. Theoretical justification of how much startup funding is justified and the calculation of prospective plans can also create new areas of research networks for economists.

**Literature analysis.** Many foreign studies have been conducted on this topic. Such issues as types of startup projects, their financing, mechanisms, stages of development are widely disclosed. For example, "Features of creation and realization of startup-projects in modern economy" Valitov Sh.M., Akhmetov Sh.T., "Relevance of startup-projects development and its impact on the economy" Khalitova L.F., "Definition of startup projects, main problems". and development prospects" Andrei Kolosok, Ivanna Konyukh, "Startup grants and the development of academic startup projects during funding: quasi-experimental evidence from the German project EXIST - Business Startup Grant" Christoph E. Muller, "Drivers and Constraints of the Indian Startup Industry" M.S. Reshchikova, "Understanding Startup Valuation and its Impact on the Startup Ecosystem" Ramesh Menon, Lina James, "Description of Contracts Used in Startup Activities" Tojiboev Akbar Zafar oglu, "The Concept of Startup, Its Essence and Legal Nature. Review of the legislation of Uzbekistan" A. Tojiboev and others.

According to Wout Bobbink, we need to answer three questions: are you building a business with a solid financial foundation? - Do you have a source of funding? - Have you managed to avoid bankruptcy?[2]

If we look at the Russian experience of financing startup projects, "...finding a source of financing for new young CEOs and its reliability is one of the main problems. The reason is that the choice of the funding source determines the prospects and efficiency of the project. Currently,

there are several ways to attract resources to startup projects for financing. But these resources have different conditions and different interest rates. Venture funds have developed various mechanisms for financing startup projects using methods of logic, analysis and comparison. Over time, the sources and system of venture capital financing have been formed. However, the system is not working at full capacity. The main reason for this is that the startup ecosystem is not ready for it. As a result of insufficient foreign investment, financing from local sources, own funds and various bank loans have become widespread. But all of these cannot achieve the efficiency of startup development when funded by foreign investors.[3]

We will have to study the experience not only of Russia, but also of European countries, learn the most effective aspects of it and create a theoretical basis for their implementation. In addition, a number of academic books on startup financing have been published. For example, "Attracting Investment in a Startup" published by Feld Brad and Mendelsohn Jason. Let's take the book "How to get to the point with an investor about the terms of financing". This book focuses on the venture capitalist view of financing. To be more specific, it is about the main points of the realization period of the mutual agreement between the investor investing in a startup project and the project owner. We can find answers to such questions by answering the following few questions: how to determine the value of a startup? What is the return on the investor's funding? What are the rights of the parties under the contract? How are the interests of the parties protected? Such questions are covered by.

**Research Methodology.** (Comparative analysis and comparison with foreign experience) Before financing startups, projects are studied by investors. If the project is approved, a contract is signed between the investor and the startup manager. When attracting investors in startup projects, if the project manager does some research and there is a sample of the product, it is of great importance in attracting investors. Business incubators, business angels, venture capital funds, government funds and grants are also of great importance in startup projects. In global experience, such practices as direct financing and bank loans, crowdfunding investments are widely used in financing startup projects.

Recently, research on startup funding and research on startup projects was conducted in Uzbekistan, and one of the interesting issues addressed was the participation and share of women in startup projects. For comparison, the share of women in startup projects in technologically developed countries is 28%. According to the State Statistics Committee, the share of women in our leadership positions is 26-27%. When we studied the proportion of 120 startup projects by age, 10% were from 15 to 20 years, 48% from 21 to 25 years, 23% from 26 to 30 years, 16% from 31 to 25. 40 years old, and from 40, the proportion of older people was 5%.[4]

Startup projects bring many benefits not only to the project manager, but also to the economy of the country. First of all, startups create new jobs, as the projects require unique innovations and modern views, their staff is also required to have high potential and meet modern requirements, besides, new modern products also lead to an increase in the quality of life.

As an example of how useful startup projects can be, let's take the example of Miro.com in Russia. In 2017, this startup attracted 1.3 million dollars of investment; so far, 476 million dollars have been invested in this startup project. The value of the project has reached 17 billion dollars. The business angel, who once funded the amount of 25 thousand dollars, had a revenue of about 65 million.

At present, several business angels and venture funds have been established in our country. Their number is gradually increasing. But hundreds of business angels and funds of various forms are needed for the full-fledged functioning of the ecosystem. At present, the number of investors who can become prospective business angels is increasing sufficiently. But it is necessary to teach them the rules, requirements, benchmarks of being a business angel, unite them, group them and spread certain work in this direction.

Even if there are enough business angels and venture funds, the number of startup projects must also reach a certain limit. Currently, according to statistics, there are about 600 companies in the IT parks themselves. This is a good figure for three years. It is necessary to form the concept of a startup among the population. In addition, such concepts as business angel and venture enterprise should become common concepts like IT and known to the majority of the population.

**Analysis and discussion of the results.** There are issues that still need to be explored in startup projects, there are aspects of work that we do not see. Currently, the bulk of many startup projects offered in Uzbekistan are intended for export only to the territory of Uzbekistan and mainly to neighboring countries.

In essence, startup projects are fast developing and fast growing projects. The profitability of startups should be highly efficient. Startups of this type are also called gazelle startups. Therefore, when planning startup projects, one should focus not only on local but also on foreign markets. Export of products to the USA and European countries should be taken into account.

Another disadvantage of many startup projects is that. Project managers cannot see the future consumption of the proposed product and the demand for it. There are several other factors that determine the future prospects of a startup's products. Namely, qualified product and project managers, system management personnel, and layout engineers. There are cases of working with foreign organizations and lack of sufficient skills of the existing staff.

If we analyze the startups by the level of efficiency and revenue they generate, the first place is occupied by the US with 63,703 projects, followed by India with 8,301 projects and the third place is occupied by the UK with 5,377 projects.

In addition, we can observe the following interesting information about startup projects. Individual entrepreneurs are startups worth 1 billion dollars or more. Among them, the most effective and valuable startup project is ANT Financial, its value is 150 billion. exceeds More than half of such startups are located in the United States. Two out of every five startups in the world can operate efficiently. In the US, startups with direction and the right focus grow 3.5 times faster and reach revenue 7 times faster than other startups.

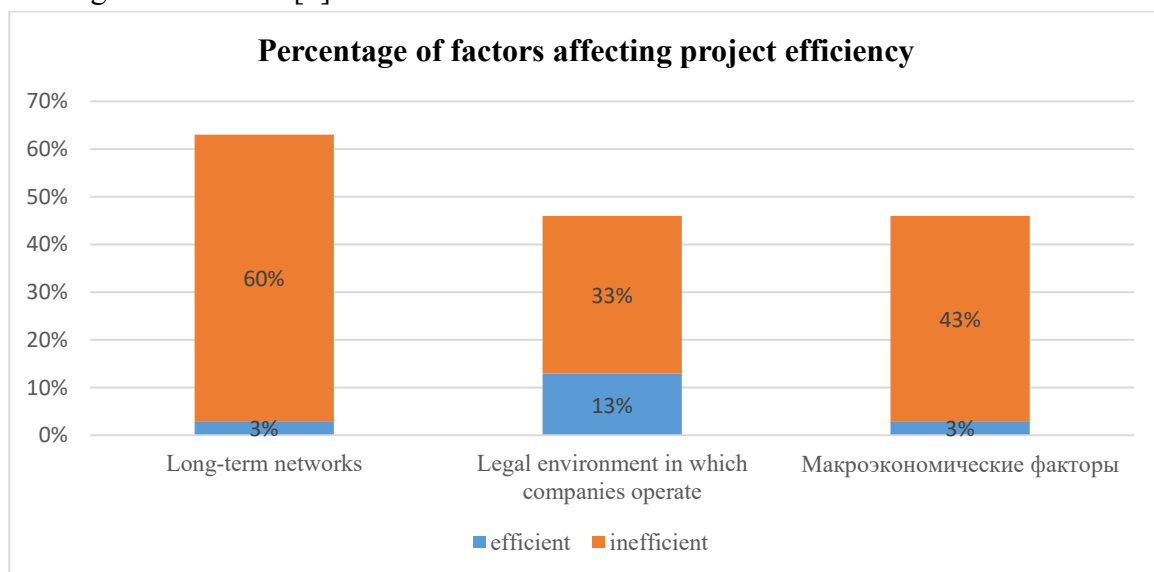
According to funding sources, 66% of startups in European countries are self-funded, 9% of startups are funded by business angels and venture capital funding.

In the UK, Canada and the US, venture capital accounts for 42% of funding sources. Meanwhile, San Francisco and Silicon Valley served as the base for 13.5% of the most effective startup projects in the world. If we look at the funding statistics, one in three startups has a capital of around \$5,000. Due to the lack of financial resources, 65% of startup executives expressed uncertainty about the effectiveness of the project. 93% of startups estimated that the available funds will not be enough for 18 months.[5]

Many studies have focused on the in-depth study of technological innovation and green economy. Kihimbo and a number of other foreign researchers have conducted research on this

issue from 1990 to 2017. Years of research have shown that technological innovation has a direct impact on environmental ecology.[6]

Last time in 2015, Uzbekistan ranked 122nd out of 141 countries in the Global Innovation Index. In 2015, Russia ranked 48th, Kazakhstan 82nd, Kyrgyzstan 109th and Tajikistan 114th. Over the last 5 years Uzbekistan has dropped from the Global Innovation Index ranking. The main reason for this was insufficient data on the Global Innovation Index indicators and outdated statistical data. In 2015, our republic ranked 4th among 141 countries for insufficient data and outdated statistics. In order to return Uzbekistan to the ranking of the Global Innovation Index and to correctly define the national dimensions of innovative development, to ensure the innovative development of the country at the international level, the Strategy for Innovative Development of the Republic of Uzbekistan was adopted in 2019. -2021. One of its main objectives was to include our republic among the top 50 countries of the Global Innovation Index by 2030. To achieve this lofty goal and address the gaps, this year the Ministry of Innovative Development, Cornell University, the World Intellectual Property Organization (WIPO), the UNESCO Institute for Statistics, the International Monetary Fund (IMF), the United Nations International Labour Organization (ILO), the United Nations International Trade Organization. Series of meetings with more than 15 international organizations such as Comtrade and World Trade Organization (WTO), World Bank, International Organization for Standardization (IOS), Thomson Reuters, United Nations. Industrial Development Organization (UNIDO), Wikimedia (Wikimedia Foundation), individual negotiations were held and problems preventing Uzbekistan from being included in the ranking were studied. [7]



**diagram 1**

By 2020, this indicator has improved slightly. 43 input and 22 output indicators were assessed. Then it became known that Uzbekistan rose to 93rd place out of 131 countries. In 2020, 1st place was taken by Switzerland, 2nd place by Sweden and 3rd place by the USA. According to this indicator, we can say that the measures taken in the field of innovation in recent years have begun to bear fruit.

According to the survey, when the opinion of many entrepreneurs was studied, 60% of entrepreneurs stated that they consider the perspective of entrepreneurship to be effective and promising. According to the entrepreneurs, technological development, digitalization, economic reconstruction, benefits system, healthy competition and environmental factors have a great impact

on effective entrepreneurship. We can see the result of the survey in the diagram below. diagram 1.

From the data in the above chart, we can say that entrepreneurs rated technological development, digitalization, economic recovery, the system of benefits, healthy competition and environmental factors as effective in long-term sectors - 60% and ineffective - 3%. Regarding the legal environment in which companies operate, 33% rated it as effective and 13% as ineffective. As for macroeconomic factors, 43% rated them as effective and 3% as ineffective.

If we consider some points regarding the regulatory framework for startup projects and this type of business, then, in the opinion of the Chairman of the Board of Universalbank, the regulatory framework is not very effective. The main reason for this is that Uzbekistan has some problems with modern technology. Our central bank cannot offer new solutions in this regard. The reason for this is that the central bank is constantly faced with contradictory provisions of the "Central Bank Instruction". As a macroeconomic factor, I can say that these technologies are not produced in our country and the cost of importing them is very high.

**Conclusions and suggestions.** In conclusion, each country has its own economic system. In addition, the influencing factors vary from country to country. Based on the peculiarities of each country, it is necessary to create an environment for startup projects. In the process of ecosystem formation, the level of economic development of the state, economic relations, bordering countries, as well as the legal and regulatory environment created for business should be prepared for the ecosystem.

Along with the preparation of the environment for startup projects, it is necessary to increase the literacy of the population about startup, to form sufficient knowledge and skills of the population about the concepts related to the concept of startup. In the process of emergence of interest and ideas for startups among the population, creation of state benefits, holding various startup competitions lead to the formation of an ecosystem.

In the process of forming the ecosystem, thousands of startup projects should be collected, sources of funding should be formed, and business angels and venture capital funds should be formed. An increase in funding sources will lead to an increase in various startup projects and further development of the ecosystem.

Protection of this entire process by the government with incentives and legal regulations will increase public confidence in startup projects and their effective operation. Of course, such consistency opens the way to attracting investors and sources of funding not only from local but also from foreign sources.

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